Missouri Department of Economic Development
Community Development
Historic Preservation Tax Credit Program Guidelines

The Missouri Historic Preservation Tax Credit Program was enacted in September 1997, and took effect January 1, 1998. The law's intent is to aid in the redevelopment of historic structures in the state of Missouri. These guidelines set forth the requirements and restrictions of the Historic Preservation Tax Credit Program administered by the Missouri Department of Economic Development ("DED"). If there is any conflict between these Guidelines and applicable statutory provisions, the statutes shall control.

2002 Policy Changes

1. **The state historic preservation program will allow multiple projects per structure. The applicant *must* apply for the multiple projects (or construction periods) at the beginning of the first project. Each project, though within one structure, is considered as a separate project for audit purposes and all minimum program requirements must be met on each project. Also, the costs associated with one project may not be carried to another construction period of the project.**
2. **A project is considered completed when the structure has received a certificate of occupancy permit or a placed-in-service date. Placed in service is defined as "the appropriate work that allows for occupancy of either the entire building, or some identifiable portion of the building is complete". This date becomes the completion date and all expenses for the project must be incurred by that date to be considered as eligible for the state historic credits.**
3. **For expenses to be considered eligible under the state guidelines, they must either be paid in full or incurred by the completion date of the project. If an expense is incurred, the applicant must supply documentation during the audit process that shows the expenses were actually incurred.**

A. Basic Program Requirements:

1. The property must be a certified historic structure located in Missouri and listed individually on the National Register of Historic Places or part of a certified historic district.

2. The rehabilitation costs and expenses must exceed 50% of the total basis in the property.

3. The rehabilitation must meet standards consistent with the standards of the Secretary of the United States Department of the Interior for rehabilitation as determined by the State Historic Preservation Officer of the Missouri Department of Natural Resources (DNR).

B. Tax Credit Information:

1. The tax credit is equal to 25% of the total costs and expenses of rehabilitation incurred on a project after January 1, 1998.

2. Total costs incurred on rehabilitation shall include but not be limited to qualified rehabilitation expenditures as defined under section 47(c)(2)(A) of the Internal Revenue Code of 1986 as amended.

3. Excess tax credits may be carried back to any of the three preceding years and carried forward for the succeeding ten years. The credit is to be claimed against the taxes imposed pursuant chapter 143, RSMo, and chapter 148, RSMo, except for sections 143.191 to 143.265, RSMo (withholding taxes).

4. Tax credits granted to a partnership, a limited liability company taxed as a partnership or multiple owners of property shall be passed through to the partners, members or owners respectively pro rata or according to an executed agreement among partners, members or owners documenting an alternate distribution method. Any alternate distribution agreement must accompany the final application.

5. Missouri law does not allow for phasing. Tax credits will be issued at the completion of the entire project when the entire building is put back in service. If a building is split into multiple projects, minimum program guidelines must be met for each project.

C. Eligible Applicants:

1. Any person, firm, partnership, trust, estate, or corporation is eligible to participate in this program except:
   - Not for profit entities
   - Government entities

2. Special circumstances:

- An otherwise eligible lessee may receive tax credits for rehabilitation expenditures incurred by the lessee for a building owned by a not for profit entity, if the term of the lease, without regard to renewals, is longer than:
  - 27.5 years for residential property
  - 39 years for non-residential property

- For buildings leased to a tax-exempt entity, that portion of the building is generally ineligible for rehabilitation credits.

D. Eligible Costs:

Total costs incurred on rehabilitation shall include but not be limited to qualified rehabilitation expenditures as defined under section 47(c)(2)(A) of the Internal Revenue Code of 1986 as amended. More specifically included are:

- Costs associated with work undertaken on the historic building
- Architectural and engineering fees
- Site survey fees
- Legal expenses
- Development fees, if incurred prior to completion of project.
- Other construction-related costs, if such costs are added to the basis of the property and are determined to be reasonable and related to the services performed (example: construction interest and taxes).
- Construction insurance
- Utilities used while rehabilitation project is in progress

Non-Qualifying expenses for the tax credit program include:

- Acquisition costs
- Cabinets and partitions
- Carpeting (if tacked in place and not glued)
- Decks (not part of original building)
- Demolition costs (complete removal of the building)
- Enlargement costs *

> ***** If rehabilitation includes enlargement, expenditures for rehabilitation of the whole property will only partially qualify as qualified rehabilitation expenditures. Where expenditures for the enlargement are not separate, the expenditures must be apportioned between the original portion of the building and the enlargement.

- Fencing
- Feasibility study costs
- Financing fees
- Furniture and appliances

- Landscaping
- Leasing expenses
- Moving (building) costs
- Outdoor lighting remote from building
- Parking lot
- Paving
- Planters
- Porches & porticos (not part of original building)
- Retaining walls
- Rework on project due to error on part of developer
- Service charges and late fees due to delinquent charges
- Sidewalks
- Signage
- Storm sewer construction costs
- Window treatments

E. Application Process:

Remember:

•Effective January 1, 1999, Applicants will not receive tax credits for rehabilitation expenses incurred prior to receipt of the preliminary project application by DED.

•Photograph building both inside and out BEFORE beginning work.

•Questions about rehabilitation standards should be directed to the Department of Natural Resources Historic Preservation Program.

•Consult a tax professional with any specific tax questions.

I. Initial Application

Effective January 1, 1999, **Part 1** of the Application must be completed and submitted to DED prior to start of a restoration, preservation or rehabilitation project for which a taxpayer will request state income tax credits.

Transition Rules:

- For projects with all expenses incurred prior to January 1, 1999, the submittal of Part 1 of the Application is required before a tax credit certification will be issued.

- For projects which began prior to January 1, 1999, but continue after that date, Part 1 must be submitted to DED ***PRIOR TO*** expenses being incurred on or after January 1, 1999, in order for the Applicant to be eligible to receive tax credits for those rehabilitation expenses.

> **Example:** Project commenced September 1, 1998. Application Part 1 was received by DED February 15, 1999. Applicant may be eligible for costs incurred from September 1, 1998, through December 31, 1998, and beginning February 15, but NOT for costs incurred from January 1 to February 14 because the application was not timely received.

Upon receipt of the Part 1 of the Application, DED will notify the project contact of the date upon which the Application was received. The date of receipt as stated in the letter is the date upon which expenses can begin to be incurred for which tax credits may be issued.

> **NOTE:** DED strongly recommends that an Applicant await preliminary project approval by DED, which is done in conjunction with DNR, before actually incurring costs in rehabilitating a building. Although timely filing the Initial Application with DED is a requirement of receiving tax credits, it is no guarantee of project eligibility. *See below for further details.*

II. Preliminary Project Approval

Upon receipt of the Part 1 of the Application, DED will forward the project to the DNR's State Historic Preservation Office for technical review of the project and certification of rehabilitation work. Once DNR has reviewed the project, DED will send the project contact a "Certification of Preliminary Approval" form with details of the DNR review. From the time of initial application, this process should take approximately 30 days. If the project is approved, the Applicant may proceed with rehabilitation work. If the project is denied, the Applicant should contact DNR for assistance.

III. Final Approval/Certification of Tax Credits

Applicants must complete and submit **Part 2** of the Application to DED within 60 days of the completion of the project.

DED will forward a copy of the completed application to DNR's State Historic Preservation Office for technical review of the project and final certification of rehabilitation work. Also included with the Part 2 application is either the itemized list of expenditures or a certified letter of expenditures. For projects with rehabilitation costs under $500,000, the itemized list of expenditures form (included in the application) should be completed. For projects with rehabilitation cost over

$500,000, a certified list of expenditures completed by an independent accountant should be completed using the same format as the Itemized List of Expenditures form. Work categories totaling over $100,000 need to itemize within the work category. Page 2 of the Itemized List of Expenditures needs to be completed and notarized regardless of project rehabilitation costs. Appendix 3 of the application has instructions for completing the form. A computer generated spreadsheet will be accepted if it is the same format. DED will review either the Itemized List of Expenditures form or the certified list of expenditures for qualifiable expenses.

> Please note: DED will review expenditures when they are submitted in final form and supporting documentation has been provided. We are committed to a 30 day turn around time for the credits; however, should additional information be needed, or if the Department of Natural Resources should have concerns or need additional information, the 30 day clock will stop until information is received or issues are resolved.

After final approval from DNR and DED, DED will send the completed "Certification of Final Rehabilitation" form to the project contact.

The "Tax Credit Certification(s)" will be issued as designated in Part 2 of the application. The Department of Revenue will be notified of this certification.

Tax credits are effective and must be used the year the building is put back into service. Any excess credits may be carried back three preceding years or carried forward succeeding ten years until the full credit is used, whichever comes first.

IV. Transferring, Selling or Assigning Credits

In the event the taxpayer receiving the Tax Credit Certification(s) wishes to transfer, sell or assign the historic preservation tax credits, the taxpayer must notify DED in writing of this transaction. The taxpayer must fill out a Missouri **Form HTC–T** for each tax credit certification being requested. The form is available through DED's Historic Preservation Program. There may be federal and state tax on profit of the sale or purchase of historic preservation tax credits. Consult a tax advisor with any tax questions.

After receipt of a completed Missouri Form HTC–T and the original certification, DED will reissue Tax Credit Certification(s) to the assignee(s) of the credits and notify Department of Revenue of the change in assignee(s). The period of time tax credits are allowable remains same as original tax credits.

> **NOTE:** Credits earned for rehabilitation expenses incurred prior to August 28, 1998, cannot be transferred, sold or assigned.